



OXFORD ANALYTICA

CZECH REPUBLIC

MONETARY TRANSPARENCY

Country Report 2005

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CZECH REPUBLIC



COMPLIANCE RATINGS

<i>Monetary transparency</i>	2005	2004	2003	2002
Clarity of roles	•••••	•••••	•••••	--
Open decision process	•••••	•••••	•••••	--
Availability of information	•••••	•••••	•••••	--
Central bank accountability	•••••	•••••	•••••	--
Score	4.75	4.75	4.75	--

OUTLOOK & COMMENTARY

The Czech National Bank (CNB) is committed to retaining its role as a regional leader in monetary transparency. In recognition of its status and resources, the CNB will assume responsibility for the supervision of the entire financial sector next April, when the three non-banking supervisory bodies cease operations. While the proper integration of supervision will demand time and resources in the coming years, it also promises considerable benefits for the Czech financial sector and the economy more generally.

While some concerns about political influence were raised in connection with the most recent round of appointments to the Monetary Board, the impact on monetary policy decision-making appears to have been insignificant. The rules-based making of policy and its high transparency standards constitute a strong guarantor of the CNB's independence.

EXECUTIVE SUMMARY

4.75 Full compliance

The Czech National Bank (CNB) has successfully consolidated its reputation as one of the most transparent central banks in Europe. Legislative amendments in recent years, including the requirement to adopt the *acquis communautaire*, have further consolidated Czech compliance with international best practices in the area of monetary policy. The ultimate guarantor of the CNB's high standards, however, has been high level of professionalism of its staff and a broad-based commitment to publishing information wherever possible. The only area where the scope of published information falls somewhat short of some other central banks relates to quantitative projections of future interest rates and the exchange rate.

Concerns over possible political influence over the CNB's actions appear to have been assuaged by the general consistency of the behaviour of the CNB's Monetary Board following three new appointments at the beginning of the year. In spite of some confusion over statements made to the press by individual board members, the inevitable learning process associated with new appointments has had little impact on the central bank's overall policy stance. On the issue of euro adoption, which was seen as a possible source of discord, the CNB has effectively left the ultimate decision with the government while continuing to contribute to the debate through research, analysis, and discussions with the government.

The recognition of the superior resources and high degree of independence of the CNB has been a key factor in prompting the government to consolidate financial sector supervision under the auspices of the central bank. This is an important decision, given the potential for economies of scale and the high degree of integration of the Czech financial sector. The decision will help overcome the resource and financial constraints of the non-banking supervisors, although a medium-term programme of integration will be required before the potential offered by the decision can be fully realised. Two new departments of the CNB, for insurance and capital market supervision, will be created in connection with the formal consolidation on 1 April 2006.

The range and quality of the CNB's publications remains impressive and has grown further in the last twelve months with the quarterly publication of *Central Bank Monitoring*, which reviews the activities of the leading international central banks as well as other central banks in Central Europe. Growing awareness of international best practice and innovations by other banks are likely to further consolidate the CNB's commitment to excellence.

The Czech Republic's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES OF CENTRAL BANKS

●●●●● Full compliance

The objectives and institutional framework of monetary policy

The 1992 Constitution, together with the *Act No. 6/1993 Coll., on the Czech National Bank* of December 1992 establishes the Czech National Bank (CNB) as the central bank of the country with the responsibility for formulating and conducting monetary policy.¹ The CNB Act has been modified several times, most recently in 2004, and is now fully compliant with the EU's *acquis communautaire*.

Central bank objectives and responsibilities

The constitution and the CNB Act identify the maintenance of price stability as the primary task of the central bank.² Without prejudicing its main goal, the CNB is expected to support the government in its efforts to pursue sustainable economic growth.

Since 1998, this policy has been carried out through an explicit commitment to inflation targeting. Following gradually declining targets, the CNB will, as of 2006, target a 3% rate of inflation with a permissible band of variation of +/- 1% around it.³ Escape clauses from inflation targeting exist in the event of exogenous price shocks, externally driven major deviations in the exchange rate of the koruna, major agricultural shocks, natural disasters, major changes in regulated prices, and substantial increases in indirect taxes.⁴

The CNB's other tasks are to set monetary policy, issue currency and manage its circulation, administer inter-bank payments and clearing, improve the safety and efficiency of payments systems, and to supervise the operations of the banking sector.⁵

The CNB, in consultation with the government and without violating its primary policy objective, stipulates the exchange rate regime of the Czech koruna. It holds and manages foreign currency and gold reserves. The central bank further trades in gold and foreign currencies and manages payments with other countries.⁶ The CNB does not currently publish any quantitative information on its expectations of exchange developments, although descriptions are invariably included in the *Inflation Report*.⁷

Operational autonomy

The CNB Act ensures the central bank's independence "of any instruction given by the government," which is defined to include all administrative authorities.⁸ Any operations apart from those stipulated in the CNB Act have to be approved in special legislation. The only area of shared responsibility has to do with the establishment of the exchange rate regime, but the government has no impact on the day-to-day management of the exchange rate, nor can the determination of the exchange rate threaten the CNB's main objective of price stability.⁹ The details of the exchange rate system are laid out in the Foreign Exchange Act.¹⁰

The CNB and the government are legally required to regularly inform each other of key parameters of economic policy and a largely friction-free relationship of regular interaction now exists between the two sides. The minister of finance or another government representative may attend CNB Board meetings, albeit in a purely advisory capacity with the right to submit motions for discussion. He may not be present during voting. Conversely, the CNB

governor or a vice-governor may attend meetings of the government.¹¹ The CNB sends its monthly situation reports, which are used as background materials for the CNB Board meetings, to the minister of finance. More generally, the central bank is required to perform an advisory role *vis-à-vis* the government in monetary policy and banking-related matters. The CNB prepares a variety of materials for the government and has to be consulted on proposed legislation affecting its remit. The importance of effective collaboration has been heightened by the need to prepare for euro-zone accession.¹²

The CNB has adopted a cautious stance on Czech euro membership. Although the adoption of the euro is viewed as a desirable and necessary policy goal, the central bank does not want to rush the process but, rather, ensure that the economy is adequately prepared for the move when it takes place. The cautious stance goes along with a desire to ensure that economic policy is conducted in a manner that is consistent with a steady and sustainable improvement of the macroeconomic imbalances affecting the economy. With this in mind, the CNB is an active participant in the economic policy debate through statements and research publications. It has at times openly criticised the government for insufficient attention to corrective measures, although the general relationship between the two sides remains cooperative.¹³

The appointment process to the CNB Board has historically been viewed as fairly apolitical. The law places the power for appointments with the relatively weak President of the Republic who typically makes his decisions in consultations with an *ad hoc* committee. While there were concerns last year that the new President Václav Klaus might seek to exert greater influence on the process than his predecessor, the four appointments made this year are deemed to have struck a reasonable balance between continuity and change. The new members were generally accepted as well qualified for the position and, in spite of some signs of an inevitable learning process associated with adjusting to their new roles, they are deemed to have acquitted themselves well. Klaus is openly sceptical of the European single currency and seems to favour a less hawkish monetary policy. In this respect, it is conceivable that the new members are making some difference on the margins. However, the three new appointments are a minority of the board and it is not likely that personnel changes can have a major impact on the rules-based policy-making process of the CNB. The Board typically follows the recommendations made to it and further continuity is ensured by the reappointment of Governor Zdeněk Tůma. Moreover, past attempts by the government and the parliament to exert pressure on the CNB have been unsuccessful.¹⁴

The European Central Bank last year highlighted the importance of clarifying the CNB Act provision on the exact circumstances under which the President of the Republic may deem the CNB governor to have failed to perform his functions. Nor does the Act provide formal grounds for the dismissal of other members of the CNB Board.¹⁵

Institutional relationship between monetary and fiscal operations

The government, as well as various autonomous government entities, deposits money at the CNB under a special service agreement. The interest payments on government deposits are shown on the CNB balance sheet, which is published every ten days.

The CNB's responsibilities for managing domestic and external public debt are defined in legislation. The CNB is responsible for operational debt management, including payments and settlements. The CNB further advises the Ministry of Finance (MoF) on debt management, although the creation of the Government Debt Management Unit at the MoF has made this role largely formal.¹⁶

The CNB Board in its meetings discusses fiscal policy and issues recommendations.¹⁷

Lending to government

The CNB is forbidden by law to authorise overdrafts on the government accounts it manages. The CNB Act explicitly forbids the central bank to provide financial support to the government or other state-controlled legal entities, including even through the purchase of their securities.¹⁸

Central bank involvement in the rest of the economy

The CNB is responsible for setting up the prudential rules for all banks and other money market participants operating in the Czech Republic. It supervises the activities of the financial sector and is authorised to impose penalties on entities found to contravene the existing legislation.¹⁹ A decision was taken this year to significantly accelerate the planned process of consolidating financial sector supervision in the Czech Republic. To date, the supervision has been fragmented, with the CNB responsible for banks while the securities market and pension funds have been supervised by the Czech Securities Commission (*Komise pro cenné papíry*). Insurance companies and pensions funds have been the responsibility of the Office of the State Supervision of Insurance and Pension Funds (*Úřad státního dozoru v pojištnictví a penzijním připojištění*) under the auspices of the Ministry of Finance. In addition, the Credit Union Supervisory Authority (*Úřad pro dohled nad družstevními záložnami*) has overseen credit unions. Under the agreement between the government and the CNB, the responsibility for supervising the entire financial sector will be transferred to the CNB as of April 2006 with formal integration and harmonisation of data collection undertaken over the coming 2-3 years. In preparation for the move, the CNB is setting up two new departments, one responsible for the insurance sector and the other for capital markets. The reform is likely to have a positive impact on the quality of financial sector supervision in the Czech Republic. CNB is a highly independent organisation which can offer better material conditions than government agencies and has a good track record of attracting high-quality staff.²⁰

Due to its commitment to support and maintain the stability of the banking sector, the CNB in the 1990s engaged in a series of interventions with regard to commercial banks, which resulted in an increase of bad assets on the CNB balance sheet. The Czech government in 1997 issued a 22.5 billion Czech koruna ten-year guarantee in favour of the CNB to partly cover the exposure arising from these measures.²¹

The CNB is not allowed to own shares in any companies.

Central bank profit allocation

According to the CNB Act, the central bank covers its necessary operating expenses from its income. CNB profits are used to replenish the reserve fund and other funds created from profits “in the budgeted amount.” The remainder of the profit is transferred to the state budget.²² The actual mechanics of the profit sharing arrangement have not been tried out in practice because of persistent CNB losses, most recently due to the devaluation of its US dollar reserves.

Agency roles performed by the central bank on behalf of the government

The CNB has been entrusted by the MoF to manage the primary sale of domestic government bonds and treasury bills. The sale of foreign debt is handled by the Government Debt Management Unit through private agents.²³

2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

●●●● Compliance in progress

The framework, instruments, and targets of monetary policy

Framework and monetary targets

The CNB has been pursuing a regime of inflation targeting since 1998 in the context of a gradually declining two percentage-point band. The targets of the Consumer Price Index set for 2002-2005 began at 3-5% and end with 2-4% at the end of 2005.²⁴ The CNB is currently replacing this transitional mechanism by a constant point target of 3% with one percentage point permissible variation in either direction. The new system will enter into force as of the beginning of 2006 and is seen as more transparent than the old mechanism.²⁵ It is designed to ensure the fulfilment of the Maastricht criteria in the monetary policy sphere and will remain in place until Czech euro-zone entry.

In practice, the inflation target has been undershot during every year of its existence. The credibility of the policy has recently been enhanced by a collaborative relationship between the CNB, the MoF, and the trade union movement.²⁶ The CNB views its inflation targets as medium-term targets from which short-term deviations can be tolerated, especially in the event of exogenous shocks. The permissible exceptions to the inflation targeting regime are listed on the CNB website and include pronounced changes in international energy and commodity prices, marked exchange rate variations not driven by domestic economic fundamentals or monetary policy, significant changes in the agricultural sphere with an impact on food prices, natural disasters and other extraordinary events, changes in regulated prices, and significant changes in indirect taxes.²⁷ The CNB recently published an assessment of the success of the policy in the past and such assessments are now routinely included in the *Inflation Report*.²⁸

Work on the CNB's inflation forecasts involves consultations with the CNB Board and, while the forecasts are staff forecasts, they are typically assessed and endorsed by the board. The CNB does not forecast external developments but instead relies on the consensus views. Starting in 2004, the CNB organises seminars with outside market analysts about the forecasting mechanism on a biannual basis in order to further promote market understanding of the forecasting process.²⁹

Since the 1997 currency crisis, the CNB has pursued a floating exchange rate with minimal interventions -- none have been made since the summer of 2002, although some ad hoc arrangements have been put in place for special situations, for example, large privatisations. Verbal interventions are made when appropriate. There is no target rate, but general pronouncements are sometimes made about a range compatible with the inflation target. While the central bank is committed to joining the EMU once the fiscal Maastricht criteria are fully and sustainability met, it wants to limit the period of a managed exchange rate under the ERM2 mechanism to the acceptable minimum of two years. The unofficial target date for euro-zone membership is 2010, but the CNB has indicated that there is no rush to adopt the single currency and membership might well be delayed further if the government's fiscal strategy is not deemed sustainable.³⁰ Some market participants now view Czech euro-adoption as unrealistic before the early 2010s.³¹

Monetary instruments

The CNB is in charge of setting the interest rates, structures, maturities, and other terms of the transactions it performs under the law. The central bank can require other banks to deposit a certain part of their funds on CNB.

Double the discount rate is charged on monies falling short of the minimal reserve requirement. The CNB regularly drains excess liquidity from the market through open market operations where CNB bills are issued as collateral. Also government Treasury bills can serve as collateral, although the use of CNB bills became predominant during a period of minimal government borrowing. The CNB may grant loans for up to three months to banks.³² Fine tuning instruments include *ad hoc* foreign exchange and securities operations. Automatic facilities include marginal lending and deposit facilities.³³

In practice, the main monetary policy instrument is daily two-week repo tenders. With the exception of minor details of the reserve requirement, the use of monetary instruments fully conforms to EU norms.³⁴

The monetary policy-making body

Monetary board

The CNB is headed by a central bank board (*Bankovní rada*) composed of a governor, two deputy governors, and four other members, all of whom are legally required to be full-time employees at the CNB.³⁵ They are all collectively responsible for the management of the central bank's activities. Previously, individual members of the board were allocated particular responsibilities in distinct areas. In contrast to most other countries in the region, the central bank board thus effectively combines the frequently distinct responsibilities of a board of directors and a monetary policy council, which is typically dominated by external members.

All board members are required by law to have appropriate professional qualifications and backgrounds, and none of the appointments hitherto have generated lasting controversy. Most members are economists and none have had open political connections. The members of the board are appointed by the President of the Republic for a once-renewable six-year term. The appointments are not simultaneous. The board votes by simple majority. Details of the board members are published on the CNB website.³⁶

There is some concern that the new Czech President Václav Klaus might try to exert a more direct influence on the board through the appointments process than his predecessor Václav Havel. Klaus, given his high-profile presence in Czech politics for years and his personal background as a professional economist, has strong views on many aspects of monetary policy. His first round of appointments in February 2005 suggested a willingness to compromise but some observers still suspect that future appointments might gradually shift the balance in favour euro-sceptic "doves."³⁷

The CNB Board decides on fundamental monetary policy measures and selects the instruments for implementing monetary policy. It approves the CNB's budget and determines its organisational structure, as well as determining the types, amounts, and uses of the CNB's funds.³⁸ The complete, albeit un-attributed, minutes of the board meetings are published on the CNB website eight days after each meeting. The lag was reduced by four days this year. In order to further increase accountability, the CNB might want to consider publishing a voting record, which is increasingly becoming the norm in the region.

Advance meeting schedule

The board convenes once a week and one meeting each month is devoted to monetary policy issues. The meeting schedule of the CNB Board is published for half a year at a time along with the dates for the release of reports on the monetary situation. Meetings devoted to an Inflation Report are highlighted. The details are available at the central bank's website.³⁹

Public statements on monetary policy

Periodic publications

The CNB publishes an annual *Financial Report* on its activities -- the text of the document submitted to the Chamber of Deputies of the Parliament -- on its website. An *Annual Report* covers the CNB's financial reports, monetary policy and developments, EU integration-related issues, open market operations, international reserves, the banking sector, economic research, payment system, and so on. It is published in printed form, on CD-ROM, and at the website. An annual *Report on Banking Supervisory Activities* is published in the same formats.

Inflation Reports are released once a quarter. The CNB publishes a wide range of statistical data on the current account, the balance of payments, monetary and economic development indicators, and banking, usually on a monthly basis. In addition, there are various occasional publications pertaining to the activities of the CNB.⁴⁰

The central bank releases a wide range of research reports, studies, and periodic publications, all of which are available through the website. These include *CNB Working Papers*, *CNB Internal Research and Policy Notes*, and the *CNB Economic Research Bulletin*. The website further contains an archive of old research publications starting in 1992.⁴¹ A new publication monitoring other central banks (*Central Bank Monitoring*) was launched in December 2004. It reviews the activities of the leading international central banks, "pioneering" banks (such as the Reserve Bank of New Zealand and the Bank of England), and other central banks in Central Europe. It is a quarterly publication covering the most important events over the most recent three-month period. Its initial purpose was to provide information for CNB employees in preparation for euro-zone integration and the general globalisation of the financial sector. However, a decision was soon made to make it an unrestricted publication.⁴²

The macroeconomic model of the CNB is publicly available.⁴³

Public hearings

The CNB reports directly to the Chamber of Deputies of the Czech parliament to which it is required to submit a report on the monetary policy situation at least twice a year. The report has to be submitted by the CNB governor who attends the meetings in question and must be called upon to speak. The Chamber may require additions, which must be submitted within six weeks.⁴⁴ The parliament can invite the CNB governor or his authorised deputy to additional hearings as it wishes. In practice, the parliament tends to discuss the two legally required annual submissions with a considerable lag. The CNB governor attends the Budget and Economic Development Committee of the parliament in connection with the submission of the central bank's annual report.

The central bank is, under the CNB Act, required to inform the public about the monetary policy situation at least once a quarter, a requirement in practice met through the publication of the *Inflation Report*.⁴⁵

The CNB regularly issues press releases and its directors grant interviews which are reproduced on the central bank's website.⁴⁶ No interviews are permitting during the ten days leading up to a central bank board meeting. In general, however, the CNB is favourably disposed towards communications with the media, which is, indeed, viewed as an effective way of affecting short-term interest rates. The CNB does not like to surprise markets with its interest rate decisions.⁴⁷

No formal legal mechanism exists for consultations with interested parties when changes are considered to monetary regulations. However, external experts are brought in by convention. Similarly, the CNB regularly invites parliamentarians, as well as members of industry and interest groups, to information sessions and consultations. Regular meetings are held with representatives of the banking sector.⁴⁸

Regulations on data reporting by financial institutions to the central bank

Legally responsible for banking sector supervision, the CNB compiles data provided to it by financial sector institutions. The balance sheet, deposits, loans, and interest rates of commercial banks are presented in the CNB's *Monthly Bulletin*. Similarly, the CNB's *Annual Report* offers data on the structure of banks' assets and liabilities, the structure of classified credits, bank profits, and other developments in the sector. Banking supervision legislation now fully adheres to EU standards. The CNB carries out on-site inspections at individual banks.⁴⁹

Following the banking crisis of the late 1990s, all major Czech banks -- 95% of the total assets of the sector -- have become foreign-owned and all international standards are now fully complied with. A working group which brings together the CNB and the Czech Banking Association (*Česká bankovní asociace*) actively monitors the situation.⁵⁰

3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY

●●●●● Full Compliance

Release of central bank data

The CNB maintains an exemplary website and is one of the most informative central banks in the region.

Information on the CNB's automatic deposit and credit facilities are disclosed daily on the CNB website. The scale of emergency finance is provided in the central bank's balance sheet.⁵¹

The CNB publishes a broad range of statistics on the general economic situation, all in accordance with the IMF Special Data Dissemination Standard (SDDS) classification. The main categories are currency and banking data, the balance of payments, and inflation. In addition, the CNB has two periodic compendia covering the general indicators of monetary and economic development (monetary aggregates, credit to residents, resident deposits, foreign assets, interest rates, the state budget, prices, aggregate demand and supply, labour productivity, unemployment, foreign trade, and the balance of payments and investment position), and the development of monetary instruments and banking regulation.⁵²

The CNB does not publish its quantitative projections of the exchange rate of the koruna or of future interest rates. However, a verbal description of the likely trajectory of interest rate developments is provided. A more formal mechanism for publishing interest rates projections is under discussion.⁵³

The central bank balance sheet

The CNB reports its balance sheet every ten days with a basic breakdown of all assets and liabilities. An annual consolidated balance sheet is included in the *Financial Report* submitted to the Chamber of Deputies of the Parliament, and, in an abridged form, in the CNB's *Annual Report*. Financial statements are published on an annual basis.⁵⁴

Lender of last resort

The CNB is charged with the responsibility for ensuring the stability of the banking sector and has on occasion served as a lender of last resort. Under the CNB Act, the CNB may grant loans for up to three months to banks.⁵⁵ All lending is fully collateralised, although the rules governing the quality of collateral are less clear-cut.

Public information services

The website of the CNB has a "Media Services" section which provides all CNB press releases, interviews with CNB officials, monthly comments on inflation data, articles in the press pertaining to the activities of the central bank, schedules of data publications and board meetings, and so on. The CNB reproduces all its working papers in their entirety on their website. Contact information is provided for different types of queries.⁵⁶

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY THE CENTRAL BANK

●●●●● Full compliance

Accountability before a designated public authority

The CNB is required under the CNB Act to submit a report on monetary developments to the Chamber of Deputies (CoD) of the parliament at least twice a year. The CoD can, if necessary, demand a revised report within six weeks. The reports are submitted by the CNB governor who attends the relevant parliamentary session and must be called upon to speak. The CoD can, if it so decides, request an extraordinary report on monetary conditions which the CNB is required to submit within thirty days.⁵⁷

Financial statement

The CNB is legally required to manage its finances on the basis of a budget, which provides a formal and transparent breakdown of its operating income and expenses. The CNB must further keep accounts in accordance with *Act No. 563/1991, Coll. on Accounting* and other pertinent legislation.⁵⁸

Audited financial statement

The full financial statement of the CNB is submitted to the Chamber of Deputies once a year within three months of the end of the calendar year. The CoD may reject the report, in which case a revised version must be submitted within six weeks.⁵⁹ The report is reproduced in its entirety on the CNB's website.

External and internal audit

The CNB has its own internal audit division with a professional staff of 14. The activities of the department are laid out in an annual plan of action. In addition to risk-assessment, the department focuses on particular areas of the CNB's activities, including any problem areas identified by external auditors. The central bank board and the director of the department can also ask the staff to conduct *ad hoc* audits on particular issues. Any recommendations are passed on to the relevant director. The board reviews compliance on a quarterly basis.⁶⁰

The CNB Board and the MoF jointly appoint one or more auditors to review the financial statements of the CNB. A tender for a qualified external auditor is held every five years. The tender is organised by the Internal Audit Department. The external auditor at present is PricewaterhouseCoopers.⁶¹

The Supreme Audit Office (*Nejvyšší kontrolní úřad*, NKÚ) has the authority to audit the CNB in the areas of operating expenditures and acquisition of property.⁶² However, 2004 will be the first year NKÚ will have exercised its right to audit the central bank. NKÚ is able to audit any aspect of the CNB's operations not connected with the conduct of monetary policy.⁶³

Conduct of officials

Members of the central bank board are not allowed to engage in other gainful employment and all manner of conflicts of interest are impermissible under the CNB Act. The President of the Republic has the authority to dismiss

board members who have contravened legal provisions, whose competence to perform legal acts has been compromised, or who have failed to carry out their duties for more than six months.⁶⁴ The Act further requires all CNB staff to adhere to strict confidentiality, unless exempted by the governor on public interest grounds. The staff may engage in entrepreneurial activities only with special permission.⁶⁵ Otherwise, however, the internal governance procedures of the CNB have not been disclosed. Rules governing conflicts of interest thus remain unknown.

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to the Czech Republic between 17 and 21 October 2005:

Czech National Bank

20 October 2005

Ivan Matalík	Director	Fiscal and Structural Analysis Division
Jan Filáček		Monetary Policy Division

Ministry of Finance

19 October 2005

Drahomíra Vašková	Deputy Director	Department of Financial Policy
František Cvengroš	Head	Section of Macroeconomic Forecasting
Zuzana Šmídová		Department of Fiscal Policy
Tomáš Kadmas		National Fund

21 October 2005

Jiří Franta	Head	Government Debt Management Unit
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ADDITIONAL INTERVIEWS

18 October 2005

Miroslav Leixner	Chief Director, Audit Section	Supreme Audit Office (<i>Nejvyšší kontrolní úřad</i>)
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20 November 2005

Ludmila Vebrová	Head, Government and Financial Accounts Section	Czech Statistical Office (<i>Český statistický úřad</i>)
Viktor Kotlán	Head of Research	Česká Spořitelna
Pavel Sobišek	Chief Economist	HVB Bank
Václav Verner	Economist	HVB Bank

21 October 2005

Marek Petruš	Correspondent	Reuters
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NOTES

- ¹ Article 98 of the Constitution of the Czech Republic; Act No. 6/1993 Coll. on the Czech National Bank (*Zákon č. 6/1993 Zb., o České národní bance*), www.cnb.cz/pdf/zakon_o_cnb_2004.pdf, Article 1(1).
- ² Article 98 of the Constitution of the Czech Republic; CNB Act, Article 2(1).
- ³ Interviews in Prague, 17-21 October 2005.
- ⁴ Interviews in Prague, 17-21 October 2005.
- ⁵ CNB Act, Article 2(2).
- ⁶ CNB Act, Articles 9(1), 35, 36.
- ⁷ *Zpráva o inflaci, Říjen 2004*, Prague: Česká národní banka, October 2004, p. 28; Interviews in Prague, 17-21 October 2005.
- ⁸ CNB Act, Article 9.
- ⁹ CNB Act, Article 35.
- ¹⁰ Act No. 219/1995 Coll., Foreign Exchange Act (*Zákon č. 219/1995 Zb., Devizový zákon*), www.cnb.cz/pdf/devizovy_zakon_2004.pdf
- ¹¹ CNB Act, Art. 10, 11.
- ¹² Interviews in Prague, 17-21 October 2005.
- ¹³ Interviews in Prague, 17-21 October 2005.
- ¹⁴ Interviews in Prague, 17-21 October 2005.
- ¹⁵ European Central Bank, *Convergence Report*, Frankfurt, 2004, pp. 390-392.
- ¹⁶ Interviews in Prague, 17-21 October 2005.
- ¹⁷ Záznam z jednání bankovní rady ČNB ze dne 27. ledna 2005, http://wdb.cnb.cz/cnb/docs/ZAPISYBR/CMOM_050127.HTM.
- ¹⁸ CNB Act, Article 30(2).
- ¹⁹ CNB Act, Article 30(2), 44-46.
- ²⁰ "Central-Eastern Europe: States Support Market Reform," *Oxford Analytica Daily Brief*, 20 September 2005.
- ²¹ Interviews in Prague, 17-21 October 2005.
- ²² *Roční zpráva o výsledku hospodaření České národní banky za rok 2003*. www.cnb.cz/en/ocnb_rocnizpravy.php; CNB Act, Article 47(2).
- ²³ CNB Act, Article 31; Act No 530/1990 Coll. on Bonds, Art. 19(2).
- ²⁴ Stanovení inflačního cíle pro období 2002-2005 (Setting the Inflation Target for the Period 2002-2005), www.cnb.cz/pdf/stanoveni_infl_cile2002_05.pdf
- ²⁵ Inflační cíl ČNB od ledna 2006 (The CNB Inflation Target as of January 2006), www.cnb.cz/pdf/mp_cil_2006_c.pdf
- ²⁶ Ministry of Finance: *The Czech Republic: Pre-Accession Economic Programme*, August 2003.
- ²⁷ www.cnb.cz/c.php
- ²⁸ Viktor Kotlán and David Navrátil, "Inflation Targeting as a Stabilisation Tool: Its Design and Performance in the Czech Republic," *Finance a úvěr – Czech Journal of Economics and Finance*, 53 (2003) 5-6, pp. 220-242. www.financeauver.org/pdf_eng/200305vk.pdf
- ²⁹ Interviews in Prague, 17-21 October 2005.
- ³⁰ Interviews in Prague, 17-21 October 2005.
- ³¹ "Ekonomické a strategické analýzy: Střední Evropa na cestě k euru," *Česká spořitelna*, 19 October 2005.
- ³² CNB Act, Articles 23, 25-29.
- ³³ www.cnb.cz/en/d.php
- ³⁴ The rules governing the reserve requirement (which is adjusted very infrequently) will be harmonised with European standards in connection with Czech EU membership. Ministry of Finance: *The Czech Republic: Pre-Accession Economic Programme*, August 2003.
- ³⁵ CNB Act, Article 6(9).
- ³⁶ www.cnb.cz/ocnb_clenovebr.php
- ³⁷ Interviews in Prague, 17-21 October 2005; www.cnb.cz/ocnb_clenovebr.php
- ³⁸ CNB Act, Articles 5, 6, 7.
- ³⁹ www.cnb.cz/cz/o_cnb/bankovni_rada/kalendar_1_2006.html
- ⁴⁰ www.cnb.cz/en/publikace.php
- ⁴¹ www.cnb.cz/vyz.php
- ⁴² www.cnb.cz/www.cnb.cz/cz/menova_politika/monitoring_centralnich_bank/index.html

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- ⁴³ Warren Coats, Douglas Laxton, and David Rose, *The Czech National Bank's Forecasting and Policy Analysis System*, Czech National Bank, Prague, 2003.
- ⁴⁴ CNB Act, Article 3(1-4).
- ⁴⁵ CNB Act, Article 3(5).
- ⁴⁶ www.cnb.cz/tz_cz.php3; www.cnb.cz/media_cl.php; www.cnb.cz/media_stan.php; www.cnb.cz/media_ot.php
- ⁴⁷ Interviews in Prague, 17-21 October 2005.
- ⁴⁸ Interviews in Prague, 17-21 October 2005.
- ⁴⁹ www.cnb.cz/bd_bdindex.php
- ⁵⁰ Interviews in Prague, 17-21 October 2005; www.czech-ba.cz/struktura/komise/index.html
- ⁵¹ www.cnb.cz/ocnb_hospodareni_index.php
- ⁵² www.cnb.cz/stat_dalsi.php
- ⁵³ Interviews in Prague, 17-21 October 2005.
- ⁵⁴ www.cnb.cz/ocnb_hospodareni_index.php
- ⁵⁵ CNB Act, Articles 23, 25-29.
- ⁵⁶ www.cnb.cz
- ⁵⁷ CNB Act, Article 3.
- ⁵⁸ CNB Act, Articles 47(1), 48(1).
- ⁵⁹ CNB Act, Articles 30(1), 47(3)-(5).
- ⁶⁰ Interviews in Prague, 17-21 October 2005.
- ⁶¹ *Roční zpráva o výsledku hospodaření České národní banky za rok 2003*. www.cnb.cz/en/ocnb_rocnizpravy.php
- ⁶² Act No. 127/2002 Coll., Article 3(3).
- ⁶³ Interviews in Prague, 17-21 October 2005.
- ⁶⁴ CNB Act, Article 6 (6), (7), (10)-(12).
- ⁶⁵ CNB Act, Article 50.